

- Product Innovation: launch of cutting edge products, such as mobile applications;
- New Product Development: the commencement of a project in June 2013 to upgrade the existing product formulations and packaging of the Placecol skin care range, a 34 year old brand, with the re-launch of the Placecol Core range towards the latter part of the financial year; and
- Project Management: to date the Group has facilitated and completed the renovations of more than 60 beauty salons within its franchise and own salon footprint.

Imbalie Beauty is proud to announce that the Group received the following awards and nominations:

- FASA Awards  
Winner Franchisee of the Year Category: Perfect 10 Ballito, KwaZulu-Natal  
Finalist in Franchisor of the Year Category: Dream Nails Beauty
- Elle Awards  
Best product: Placecol AHA Exfoliating Cream
- Woman & Home Awards  
Best product: Placecol Stimugenating Mask  
Best Product: Empro Eyebrow Liner

The Group experienced an increase in system-wide sales revenue (including gift cards) for the 2014 year of 14% to R251 million (2013: R220 million) in respect of its Placecol Skin Care Clinics, Dream Nails Beauty salons and Perfect 10 Nail & Body studios.

The Group owned 24 corporate outlets at year-end. Management will continue to focus on selling these outlets to potential owner operator franchisees.

#### FINANCIAL RESULTS

Group revenue increased by 22.2% to R87.4 million (2013: R71.5 million) during the year as a result of increased marketing, the sale of high technology equipment and increased royalty income earned from the existing and newly opened outlets in the Group. Gross profit increased by 21.2% to R53.1 million (2013: R43.8 million) and gross profit margins decreased by 0.5% to 60.8% (2013: 61.3%), due to currency weakening which had a negative effect on gross profit margins.

Operating expenses increased by 23.7% to R49.8 million (2013: R40.2 million), as a result of increased marketing and advertising efforts, which grew by 26% compared to the prior period and the repurchase of franchised stores from non-complying franchisees, which resulted in an increase in turnover, salaries and rent.

The most notable highlights of 2014 year were:

- The increase in Group revenue by 22.2%;
- The positive impact experienced with the revamping and rebranding of salons, which resulted in an increase in system-wide sales of 14%.

The group's growth in earnings and headline earnings were modest, as a direct result of the increase in operating expenses, from the previous year. Earnings per share increased to 0.63 cents (2013: 0.57 cents), however headline earnings per share increased to 0.68 cents (2013: 0.58 cents).

Corporate outlets to the value of R10 million which are available for resale are included in inventories. It remains a priority for management to sell these outlets to franchisees in order to strengthen the cash flow of the Group.

The Group had no material capital commitments for the purchase of property, plant and equipment as at 28 February 2014.

#### BASIS OF PREPARATION OF THE AUDITED RESULTS

The audited consolidated annual financial statements results have been prepared by Melinda Malan CA (SA) in accordance with the recognition and measurement criteria of International Financial Reporting Standards "IFRS", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation and disclosure

requirements of IAS 34 - Interim Financial Reporting, the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act. The condensed consolidated financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

All financial information presented in South African Rand has been rounded to the nearest thousand.

The accounting policies and method of measurement and recognition applied in preparation of the audited Group annual financial results are consistent with those applied in the Group's annual financial results for the year ended 28 February 2013, and are in accordance with International Financial Reporting Standards.

These condensed Group annual financial results incorporate the financial results of the company and its subsidiaries.

#### STATEMENT OF GOING CONCERN

The financial results have been prepared on the going concern basis as the directors are of the view that the Group have adequate resources in place to continue in operation for the foreseeable future.

#### AUDIT OPINION

The auditors, Nexia SAB&T, have audited the consolidated annual financial statements for the year ended 28 February 2014. The auditors' unmodified audit report is available for inspection at the company's registered office.

#### SUBSEQUENT EVENTS

There are no material subsequent events to report on.

#### PROSPECTS

Imbalie Beauty foresees a bright future with the opening of more successful beauty salons, which will create more job opportunities in South Africa. Imbalie Beauty has a strong pipeline for the opening of new beauty salons in 2015.

Imbalie Beauty is on a continuous journey to innovate, offer better marketing, pricing and support structures to its franchisees. New technology will be implemented during 2015 into the Group to improve overall efficiencies and communication between the franchisor and franchisees.

Statements contained in this announcement, regarding the prospects of the group, have not been reviewed or audited by the Group's external auditors.

#### CHANGES TO THE BOARD OF DIRECTORS

GSJ Van Nieuwenhuizen resigned as a director of the Company on 6 February 2014. Ms P Tladi was appointed as a director of the board on 1 April 2014. Ms Tladi was also appointed as member of the Audit Committee and as chairman of the Risk Committee.

#### DIVIDEND POLICY

The Group will not pay a dividend for the 2014 year.

#### APPRECIATION

The directors would like to thank our management team and staff for their extended efforts and our clients for their support during the year.

By order of the Board

28 May 2014

E Colyn  
Chief Executive Officer

M Malan  
Financial Director



#### IMBALIE BEAUTY LIMITED

"Imbalie Beauty" or "the Company" or "the Group"  
(Incorporated in the Republic of South Africa)  
(Registration number 2003/025374/06)  
JSE code: ILE ISIN: ZAE000165239



## AUDITED GROUP CONDENSED FINANCIAL RESULTS

FOR THE YEAR ENDED 28 FEBRUARY 2014

#### CORPORATE INFORMATION

**Non-executive directors:** HA Lunderstedt (Chairman); TJ Schoeman\* (Lead Independent); P Tladi\*; MM Patel\* (Chairman of Audit Committee); WP van der Merwe  
\* Independent

**Executive directors:** E Colyn; M Malan

**Registration number:** 2003/025374/06

**Registered address:** Imbalie Beauty Boulevard, Samrand Avenue, Kosmosdal X4, Centurion 0157

**Postal address:** PO Box 8833, Centurion, 0046

**Company secretary:** Ithemba Governance and Statutory Solutions (Pty) Limited

**Telephone:** (012) 621 3300

**Facsimile:** (012) 621 3369

**Transfer secretaries:** Computershare Investor Services 2004 (Pty) Limited

**Designated Adviser:** Grindrod Bank Limited

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**

	Audited Feb 2014 R'000	Audited Feb 2013 R'000
Revenue	87 381	71 487
Cost of sales	<b>(34 238)</b>	(27 653)
Gross profit	53 143	43 834
Other income	1 121	1 363
Operating expenses	<b>(49 786)</b>	(40 237)
Earnings before interest, taxation, depreciation and amortisation	4 478	4 960
Depreciation and amortisation	<b>(854)</b>	(933)
Profit before interest and taxation	3 624	4 027
Investment revenue	39	70
Finance costs	<b>(912)</b>	(1 080)
Profit before taxation	2 751	3 017
Taxation	<b>(558)</b>	(1 032)
Profit for the year	2 193	1 985
Revaluation surplus net of taxation	-	163
Total comprehensive income for the year attributable to ordinary shareholders	2 193	2 148
Reconciliation of headline earnings:		
Profit for the year	2 193	1 985
Adjusted for:		
Loss on sale of property, plant and equipment	144	7
Headline earnings attributable to ordinary shareholders	2 337	1 992
Number of ordinary shares in issue on which earnings per share are based - weighted and diluted average	345 547 773	345 547 773
Earnings per share (cents)	0.63	0.57
Headline earnings per share (cents)	0.68	0.58
Diluted earnings per share (cents)	0.63	0.57
Diluted headline earnings per share (cents)	0.68	0.58

**CONDENSED GROUP STATEMENT OF CASH FLOWS**

	Audited Feb 2014 R'000	Audited Feb 2013 R'000
Cash flows from operating activities	498	1 881
Cash flows from/(used in) investing activities	885	(901)
Cash flows (in)/from financing activities	<b>(1 796)</b>	(31)
Net (decrease)/increase in cash and cash equivalents	<b>(413)</b>	949
Cash and cash equivalents at beginning of the year	<b>(3 590)</b>	(4 539)
Cash and cash equivalents at end of the year	<b>(4 003)</b>	(3 590)

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**

	Audited Feb 2014 R'000	Audited Feb 2013 R'000
ASSETS		
Non-current assets	36 108	37 705
Property, plant and equipment	3 793	4 380
Goodwill	6 809	6 809
Intangible assets	15 757	15 610
Other financial assets	-	770
Deferred taxation	9 749	10 136
Current assets	32 137	28 061
Inventories	19 789	15 562
Other financial assets	1 390	2 118
Current tax receivable	86	86
Trade and other receivables	10 575	9 960
Cash and cash equivalents	297	335
Total assets	68 245	65 766
EQUITY AND LIABILITIES		
Equity	43 856	41 663
Share capital	67 330	67 330
Revaluation reserve	163	163
Accumulated loss	<b>(23 637)</b>	(25 830)
Non-current liabilities	5 893	8 461
Other financial liabilities	5 657	8 396
Deferred taxation	236	65
Current liabilities	18 496	15 642
Trade and other payables	9 615	8 217
Other financial liabilities	4 212	3 269
Current tax payable	-	9
Operating lease liabilities	369	222
Bank overdraft	4 300	3 925
Total equity and liabilities	68 245	65 766
Number of ordinary shares in issue at year-end	345 547 773	345 547 773
Net asset value per share (cents)	12.69	12.06
Net tangible asset value per share (cents)	6.16	5.57

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**

	Share capital R'000	Share premium R'000	Total share capital R'000	Revalua- -tion reserve R'000	Accum- -ulated loss R'000	Total equity R'000
Balance 1 March 2013	17 524	49 806	67 330	163	(25 830)	41 663
Profit for the year	-	-	-	-	2 193	2 193
Total comprehensive income for the year					2 193	2 193
Balance 28 February 2014	17 524	49 806	67 330	163	<b>(23 637)</b>	43 856

**SEGMENTAL REPORTING**

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker.

Therefore, the Group determines and presents its operating segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker.

Furthermore, a segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of the other segments.

The Group does not have different operating segments. The business is conducted in South Africa and is managed at a central head office with no branches. The Group is managed as one operating unit.

All revenues from external customers originate in South Africa, or from operations in South Africa.

**OVERVIEW**

The directors of Imbalie Beauty herewith present the audited annual financial results for the year ended 28 February 2014 ("the 2014 year" or "2014"). Imbalie Beauty is a franchisor, distributor and service provider of beauty offerings and products. Imbalie Beauty has both its own distribution footprint and a franchised distribution footprint, which together total 153 beauty salons nationally. In addition, Imbalie Beauty's products are distributed through other large retailers, independent salons and pharmacies.

Imbalie Beauty is a multiple brand owner, owning the following franchise salon chains, Placecol Skin Care Clinics; Dream Nails Beauty Salons; and Perfect 10 Nail and Body Studios.

The year under review was primarily a year where Imbalie Beauty has focused on its existing salon footprint and continued to strengthen the support structures for its franchisees. Imbalie Beauty's focus remained on the implementation of systems and procedures in the Group. Imbalie Beauty is committed to offer great support to its franchisees, which will ensure long-term sustainability.

Imbalie Beauty invested and improved in its support structures during 2014 to sustain and support the growth planned for the roll out of new salons in 2014/2015, in areas such as:

- Training: Imbalie Beauty offers business and beauty training to its franchisees and their employees, with six full time trainers employed by the Group. The Imbalie Beauty Training Academy trains on average 200 franchisees, managers, beauticians and nail technicians per month;
- Customer Care: a newly established Customer Care Division, with an emphasis on being a customer centric organisation;
- Marketing: strengthening of the marketing team, with a strong focus on Search Engine Optimisation platforms;
- Franchise Business Development: to make sure that the franchise business grows significantly during 2015;
- Franchise Portal: commencement of the implementation of an Imbalie Beauty franchise portal to improve communication and efficiencies between the franchisor and franchisees;